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MEMORANDUM FOR: Members of the Human Resource Modernization and Compensation Task Force

FROM: James H. Taylor  
Executive Director

SUBJECT: Design of a New Agency Job Classification and Compensation System

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1. We now have an opportunity--a window--to do something about the Agency's personnel and compensation system. Thus far we have:

- instituted a form of banding, which has been well received in our Office of Communications;
- put in place a new system to improve pay and give greater career opportunity to our secretaries;
- established a Human Resource Task Force to look at our entire personnel system, with the conclusion that there is substantial room for improvement in personnel and compensation systems;
- and, in connection with testimony before the SSCI, the DCI himself called for "new departures and bold innovations in recruiting, training, compensation, and general personnel management."

Now we need to build upon our earlier efforts, move in the direction the DCI has indicated, and design a system more responsive to our managers and better for our employees.

2. Looking at complaints which have been levied at our current system, I would note that:

o Many managers are dissatisfied with our ability to compete for the best people and concerned that the problem is growing worse. Under the GS system we too often face the Hobson's choice of bringing people in at a higher grade than they deserve in order to pay what we need to get them, or remaining faithful to the system and losing the talented people we need to do our work.

-- The Director has spoken about getting around the problem, proposing to "replace the current and inflexible GS system."

o Many managers are uncomfortable with our ability to adequately reward our best people or to encourage lateral entry of personnel with the experience and background we need.

-- The Director has proposed that we "adjust our pay system...to better relate performance and compensation: and that we "establish an Agency-unique pay and allowance structure which will be second to none in the U.S. Government."

o Many managers feel put upon by the cumbersome PMCD process when they want to create jobs and upgrade positions, and some even feel the need to reorganize so as to create management level jobs in order to better pay and thus retain their star performers.

-- The Director has proposed that we "redesign a career development program to clearly allow for specialist and management tracks" and "more adequately reward experts as opposed to managers."

3. Going beyond the deficiencies of the current system, many of us believe we can achieve both a more satisfied and a more committed and productive workforce by replacing today's often haphazard, longevity-dominated, and somewhat impersonal system of financial rewards with a new, scheduled, thoughtful, and comprehensive performance-oriented system.

4. As your work proceeds you will face many complex issues. We will deal with these one at a time as they arise. In addition to the more general guidance laid out in this memo, I ask you to observe the following:

- The systems you devise should not reduce internal mobility for our people; if possible, mobility should be enhanced.
- Your effort cannot dramatically increase costs. Overall, the system you propose cannot add more than 2% to the Agency's current compensation program--larger future costs in selected areas must be "paid for" by non-growth in other areas.
- It is understood that you may recommend a system in which the effective starting and final salary levels will vary among functional groups.
- It is understood that different functional specialties will require different systems of reward for specialists.
- Implementation will be phased, but the broad outline of the whole system will be known before we take the next major steps.
- The pay/incentive/benefits structure and performance criteria for functionally similar individuals will be the same, regardless of their organizational affiliation.

5. Your task is to ensure that what we can see in very general outline becomes a reality. We want you to design a new total compensation system based on pay for performance, with specialist-management tracks as appropriate and the automation, communication, and training that will be needed to support the system. We are not looking for a study; we want an implementation plan which will allow us to put in place an improved personnel and compensation system, starting with the ADP and DO case officers' occupations and extending from there, an occupation at a time, until we have encompassed the balance of the Agency. The Director wants the process begun immediately, wants to see some near-term progress--by March or April--and expects the job to be substantially completed within two years.

6. In designing and implementing an improved human resource and compensation system, you will need not only to scope out the broad policy directions, but also to help us develop the broad base of support and commitment we will need to accomplish our task. Each of you will represent your Deputy Director and you will need to keep them informed about the progress of the project. While you must represent your directorate's interests, in developing a new system we want--and you must achieve--a coherent Agency-wide system which is viable for each occupational family, not five unrelated systems.

7. We will have some outside help. There is a contract with [redacted] a consulting corporation with major compensation systems experience, a smaller one with [redacted] and a possibility that we can license certain job analysis and survey instruments. But for the most part, the effort to design a new job classification and compensation system will be an internal effort, using Agency personnel.

8. As Task Force Chairman, [redacted] is responsible for organizing a series of project teams to provide you with staff support in developing the new system. You will need to provide, as requested, personnel from your respective directorates on a full- and part-time basis to staff these teams. In addition, as each Agency occupation is analyzed, you will be responsible for assembling a team of 5-7 or more experts from that occupation, who are acceptable to the chairman and his project teams, to work full-time on that effort. Finally, as each occupation is brought along you will bear major responsibility to oversee and assist in this implementation.

9. I will meet periodically with your chairman and with the Task Force to review the progress you are making and also to go over plans to brief OMB and our oversight committees at appropriate intervals.

[redacted]  
James H. Taylor

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